

## THE DEVELOPMENT AND IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES IN THE POLISH ECONOMY DURING THE ECONOMIC SLOWDOWN

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### **Abstract**

*The purpose of this article is to discuss the condition of the sector of small and medium-sized enterprises (SMEs) and its importance in the Polish economy during the economic slowdown. The SMEs around the world play a significant role in the economic growth of many countries, as well as in the job creation or in the development of selected sectors or whole countries. The paper presents a classification of SMEs and the current state of the SME sector in Poland. In addition, the study attempts to prove that this sector, currently represents a significant segment of the Polish economy in the context of the micro- and macro-economic factors, especially during the economic downturn.*

**Keywords:** *SME sector, economic slowdown, importance of SMEs*

### **1. Introduction**

In the second half of 2008 the crisis hit the financial markets and contributed to the economic crisis in many countries and to the slowdown of the Polish economy. In 2012 the economic downturn was felt again both in Europe and in the rest of the world. The financial crisis is identified with a dynamic increase in the scale of the insolvency of banks and companies in a way that significantly exceeds the level of the phenomenon observed in previous periods. It is also closely connected with the economic crisis, which is associated with a decrease in production, with an increase in corporate bankruptcies as well as with a fall in employment in the economy (Puszer 2012, pp. 11-12).

The SME sector constitutes the basis of the modern economy. It plays an important role in the economic growth of the country, in the job creation or in the development of many sectors of the economy. Thus, the improvement of the condition of the national and regional economies depends on the development of this sector. In Poland, as in the economies of Western Europe

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or both Americas, the SME sector is referred to as „the engine of growth”, while it is often associated with the negligible interest or study of its needs and expectations (Bober i Kalupa, 2007, p. 25). World experience shows that countries characterized by dynamic economic development are based on the free-market economy, in which the predominant business form is private property based on the freedom of establishment and in which the functioning of the SME sector is essential for the proper economy development. Year by year the importance of the SME sector in Poland has been showing an upward trend and it results in a high participation of SMEs in the GDP (they generate almost 50% of GDP) or in the growing number of people employed by the sector concerned. Small enterprises develop their businesses mainly on a local scale (Szreder, 2000, p. 177), but some of them also play an important role in the regional development and even successfully compete in the international arena contributing to the export increase and the development of globalization (Bąk and Kulawczuk, 1999, pp. 5 – 8). Due to their high flexibility, SMEs have a chance to compete even with the largest enterprises, among others thanks to their great abilities to control costs and their mitigation, as well as to the high motivation of owners and employees of those companies (Stankiewicz, 2002, p. 36).

The primary aim of this article is to analyze the selected aspects considered in the SME sector against the background of the changes that occurred in Poland in the years 2008 – 2012 as well as to discuss the condition of this sector in the context of its importance during the economic slowdown. Therefore, a hypothesis was formulated which says that the SME sector during the economic downturn plays a key role in the micro- and macroeconomic growth of the national economy.

This paper is mainly based on reference books and papers, partly theoretical, as well as statistical data from various sources (such as Central Statistical Office, Polish Agency of Entrepreneurship Development). The first section of the paper presents the criteria according to which the assignment of the companies to the SME sector was made. What is more, it presents the size of the sector in the period of analyzed economic downturn. It then attempts to identify the importance of SME sector to the economy of the entire country considered in the context of micro- and macroeconomic factors, particularly in the period of the economic slowdown.

## **2. The character of the SME sector on the Polish market**

The enterprise is currently the most common form of an economic organization that participates in the market exchange in an orderly and systematic manner. The Freedom of Economic Activity Act of 19 November 1999 has replaced

the business entity term that was used in the previous Act of 1988 as an entrepreneur (Journal of Law No. 101, item 1178, year 2000 No. 86, item 958 and No. 114, item 1193 as amended). The company is “an entity that conducts a business activity and tends to meet the needs of other social actors (individuals or institutions) by the production of products or services, considering the fact that such activity is motivated by the desire to obtain material benefits and is managed independently at the owner’s or owners’ risk” (Sudoł, 2006, p. 37).

Enterprises are classified according to various criteria but one of the most important is their size. In this regard, the most frequently mentioned division is that of small, medium and large businesses. Additionally, amongst small entities microenterprises are being singled out.

The definition of small and medium entrepreneurs is contained in Articles 54 and 55 of the Freedom of Economic Activity Act (Journal of Law 1999 No. 101, item 1178 as amended). According to the Act, a small entrepreneur is an entrepreneur that in the previous fiscal year employed on average less than 50 employees and achieved net revenue from sales of goods, products, services and financial transactions not exceeding the PLN equivalent of EUR 7 million or total assets of its balance sheet at the end of the final year does not exceed the PLN equivalent of EUR 5 million. However, the concept does not include a company in which entrepreneurs other than small ones hold more than 25% of deposits, shares and rights to more than 25% share in the profits or more than 25% of votes in the general meeting of shareholders.

The act also specified the definition of medium-sized enterprise, which is the entity that in the previous year employed on average less than 250 employees and achieved net revenue from sales of goods, products and services and financial transactions exceeding the PLN equivalent of EUR 40 million or total assets in its balance sheet at the end of financial year does not exceed the PLN equivalent of EUR 27 million. The entrepreneur in which entrepreneurs other than small and medium hold more than 25% of the deposits, shares and rights to more than 25% share in the profits or more than 25% of votes in the general meeting of shareholders, was not considered as a medium-sized one.

In the case of an entrepreneur operating on the market for less than a year, it was classified as small or medium-sized according to the size of average monthly employment for the last complete month of its functioning.

The regulations defining the SME sector were changed in paragraphs 103 – 110 of The Freedom of Economic Activity Act of 2 July 2004 (Journal of Law 2013 item 672 as amended). The size of the employment as well as the amount of annual net sales or the sum of assets remained a criterion of distinguishing the size of the companies. The act still includes three categories of enterprises, namely micro-, small- and medium-sized. A microenterprise

is the one that employed on average less than 10 employees in the last two years and reached the annual turnover not exceeding the equivalent of EUR 2 million, or the sum of assets not exceeding EUR 2 million. Small enterprises are entities employing respectively less than 50 employees and reaching the annual turnover or the sum of assets not larger than the EUR 10 million. When it comes to medium-sized entities, they employ respectively less than 250 people and generate annual turnover not exceeding EUR 50 million, or total assets less than EUR 43 million.

In the case of an entrepreneur operating on the market for less than a year, its expected net turnover from sales of goods, products and services and financial transactions, as well as the average annual employment are estimated on a basis of the data for the last period, documented by the entrepreneur.

The introduction of the definition of microenterprise and the change of the definition of small and medium entrepreneurs in relation to the content of The Freedom of Economic Activity Act of 19 November 1999 (Journal of Law 1999 No. 101, item 1178 as amended) was a result of the recommendations of the Commission of 6 May 2003 (J. L. of the European Community No. L 124z 20/05/2003). The inclusion of microenterprises to the SME sector results from the fact that in Poland the number of entities employing up to nine workers exceeds 3.5 million. The SME definitions adopted in the Polish legal system constitute the basis for granting the state aid that is necessary for the development and survival of businesses discussed.

Broader recognition says that the category of SMEs should comprise the enterprises which employ a relatively small number of employees, have relatively little capital and whose owner is usually the manager. Such approach eliminates complex administrative – bureaucratic structures. Such companies also have a small share in the market, or are financially and legally independent from other entities (Krajewski, 2004, p. 7). However, in practice it was accepted that the main criterion for the companies defining, there are quantitative criteria which have been mentioned above.

Micro, small and medium-sized enterprises are the driving force of the European economy as they are a basic source of employment and play a major role in the process of market competitiveness increase. The great share of SMEs in the economy affects the distinct improvement in the functioning of the mechanisms of market competition. Furthermore, an economy based mainly on a large number of small enterprises which are acting effectively is possibly a condition of effective functioning of the market (Kamrowski, 1998, p. 293). SMEs contribute also to the development of the local governments and therefore to the improved quality of life of inhabitants because of the better and cheaper goods and services offered. Therefore, local and regional

governments are taking the sequence of the operations related to the support of SMEs.

Analyzing the importance of SMEs for the development of the national economy it should be emphasized that micro, small and medium-sized enterprises currently constitute a majority of all business entities in Poland. The establishment of the company in the SME sector, especially of microenterprise, is relatively simple and does not require high financial outlays, at least at the beginning of the activity. In 2012 the companies from SME sector constituted 99.8% of all subjects which actively operated on the market, namely microenterprises constituted 95.8% of all enterprises operating on the market in Poland, small entities accounted for slightly more than 3%, while medium-sized enterprises for about 0.9%. Analyzing the structure of enterprises, a dominance of micro subjects is clearly seen. Detailed numeric characteristics of entities from the SME sector are presented in Table 1.

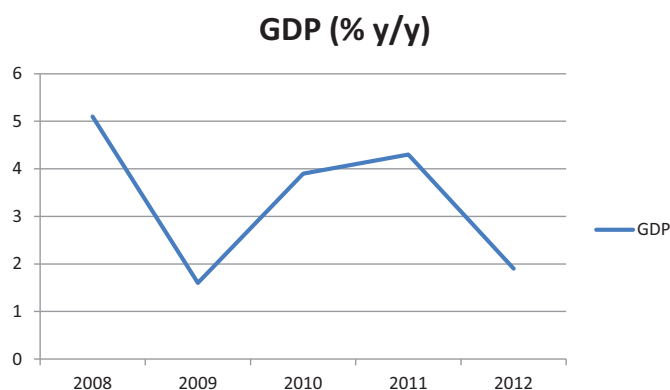
**Table 1.** Total number of enterprises operating in Poland in the years 2008 – 2012 including the small and medium-sized business sector (figures in thousands)

Enterprises	2008	2009	2010	2011	2012
Total	1 788.3	1 673.5	1 726.7	1 784.6	1 794.9
SME sector, including:	1 785.2	1 670.4	1 723.5	1 781.4	1 791.8
Micro-sized	1 714.8	1 604.4	1 655.1	1 710.6	1 719.62
Small-sized	54.3	50.2	52.6	55.0	57.1
Medium-sized	16.1	15.8	15.8	15.8	15.5

Source: Self-study on the basis of PARP (2013), p. 20.

The data presented in Table 1 allow us to conclude that in the period considered, despite minor fluctuations, all categories of enterprises affected the growth trend. Although the difference between the general quantity of companies operating at that time on the market basically did not change, it should be noted that the increases are most distinct amongst enterprises employing up to 49 persons. In the number of all companies, microenterprises have the biggest participation level, despite its visible fall in 2009, as in the case of other types of businesses. This fall should be connected with the economic slowdown that took place at that time. The reason for the slowdown was, without doubt, the economic downturn since the second quarter of 2007 in the U.S. and in the euro zone due to the increasing financial crisis, which affected adversely the economies of many countries. The following years show a gradual improvement and increase in the number of entities operating on the market, as well as the strengthening of the position of microenterprises,

especially between 2010 and 2011 which brought economic recovery and improvement in the business environment, which in turn resulted in improved companies performance and the increase in the number of active entities. Unfortunately, in 2012 there was a sharp slowdown in the economic activity of national economy resulting in deterioration of macroeconomic determinants of running a business. In 2012 the real growth rate of gross domestic product decreased to 1.9% comparing with growth rate on the level 4.3% in 2011, as illustrated on Figure 1.



**Figure 1.** GDP growth in Poland in the years 2008 – 2012.

Source: Self-study on the basis of Eurostat data.

Unfavorable fluctuations in GDP growth does not influence negatively the number of companies, because in the analyzed period, the number of business entities operating in Poland was characterized by the growing trend – in 2009 there was a visible decrease in the number of entities in comparison to the previous year, but in 2012 positive dynamics was observed compared to 2011.

The share of micro enterprises in the total number of companies in Poland is very high, because in the entire study period they accounted for about 96% of the population. Microenterprises indicate the high growth rate of increase, among others, because they have low capital intensity, what is more, they rely on the low-skilled labor (PARP. Raport o stanie sektora..., 2013, p. 21). The increase in the number of microenterprises in recent years is also combined with the effect of economic slowdown which could speed up the decisions of many persons connected with the foundation of the company when they lost their jobs.

Another important group of companies in the Polish economy, in terms of the size, were small entities because their number amounted to an average of 3% of the total number of enterprises. Moreover, the number of such entities

clearly increases substantially in the entire period of research, and as in the case of microenterprises, it should be attributed to the fact that they can be simply established. Medium-sized enterprises made the smallest part of the whole number of enterprises because their share in the population totaled approximately 0,9% in each period.

### **3. The role of the SME sector in the Polish economy – analysis of the selected aspects**

The conviction of the important role of the SME sector for the whole economy is common. Enterprises classified into the SME sector are mostly common companies in Poland. The significance of the SME sector for the economy of the entire country is great which is influenced by many factors considered in the micro and macro scale. Enterprises from the SME sector set largely the frames of socio-economic development. They have an impact on the various segments of the economy and on entities, and ultimately, also on achieving maximum values of macroeconomic indicators, as well as on the changes in local and regional markets (Bera, 2010, p. 388). The SME sector affects economic, social and political processes of contemporary market economies around the world (Steinerowska-Streb, 2012, pp. 18-21). On the other hand, H. H. Bass (2006, pp. 10 - 11) draws attention to its substantial role in the job creation, to generating the innovation, or in to the integration of the national economy with the world economy.

Examining the chosen economic sizes in relation to enterprises operating in the SME sector it should be emphasized that during the period covered in this paper, i.e. during the years 2008 – 2012, the global economy was struggling twice with the problem of economic slowdown, firstly in 2009, and then again in 2012. In this connection, the author made an analysis of the selected and, in her opinion, most interesting figures in relation to the enterprises operating in the SME sector taking the macroeconomic situation of the country into account.

#### **3.1. The share of SMEs in GDP creation**

The importance of the SME sector in the economy should be examined among others through the prism of the measures of economic growth. Small and medium-sized enterprises remain the driving force of the Polish economy. The share of such enterprises in GDP creation is the basis of the above-mentioned measures. According to data obtained from Central Statistical Office (GUS) presented in Table 2, companies in Poland generated 71.8% of GDP in the year 2011. This result was about 0.5% lower than in 2009 when a strong economic

downturn took place. The share of SMEs in the creation of the gross domestic product amounted to 47.3%. Micro-enterprises created every third zloty (29.4%), small-enterprises every thirteenth (7.8%) and medium-sized only every tenth (10.1%) (PARP. Raport o stanie sektora..., 2013, p. 14). In recent years we could observe that the share of SMEs in GDP creation remained on a rather stable level, despite the fact that the consolidation process is visible on the market and it leads to the strengthening of the position of large enterprises. Maintaining a high share of SMEs in GDP creation in the considered period confirms that even during the economic slowdown, such entities are very important links in Polish economy.

**Table 2.** The share of enterprises is GDP creation

Year	SME Enterprises					
	Enterprises total	Total	Micro	Small	Medium	Large
<b>2007</b>	70.80%	47.30%	30.40%	7.20%	9.80%	23.50%
<b>2008</b>	71.10%	47.20%	29.90%	7.40%	9.90%	23.90%
<b>2009</b>	72.30%	48.40%	30.40%	7.90%	10.10%	23.90%
<b>2010</b>	71.60%	47.60%	29.60%	7.70%	10.40%	24.00%
<b>2011</b>	71.80%	47.30%	29.40%	7.80%	10.10%	24.50%

Source: Self-study on the basis of PARP (2013), p. 16.

The share of SME sector in GDP creation is a commonly accepted ratio of the economic growth and a measure of the importance of this sector in the national economy, however, it is not possible to overlook that with reference to the small and medium-sized business sector, it has a number of defects, i.e.:

- Difficulty with the calculation of the real result of the SME sector business activity, particularly in family enterprises in which determining the cost and working hours of family members is often impossible,
- The final level of GDP growth is distorted by the significant share of black economy in the SME sector,
- Lack of authoritative statistical quantities dedicated especially to microenterprises.

As a result, the degree of the influence of the SME sector on GDP creation is in some way limited, although definitely indisputable (Bednarz and Gostomski, 2006, p. 25).

### **3.2. SME sector as a major employer**

The employment growth is one of the consequences of the increase in the number of enterprises, but also of comparatively favorable macroeconomic situation of Poland and the satisfying financial standing of Polish enterprises in the analyzed period. Although the number of employees in Poland is highly dependent on the economic situation in other EU member states due to the high mobility of workers, it should be emphasized that comparing to EU countries, the economic situation of Poland is unusually good in terms of the past few years. The economic slowdown in the EU which began in 2008 caused that the employment growth pace in the EU decreased significantly by 7%. In the following years a temporary improvement of the situation was noticed, that is why in 2010 the rate of employment growth in the economy across Europe reaching the level of 2.9% practically coincided with the level of the year 2007 (2.5%). In 2011 another fall in GDP growth took place, which implied a deterioration of the situation on the labor market and in comparison with the previous year, a decrease by 1.5% of the number of employees in the EU.

As of 31 December 2012, the number of employees working in Polish enterprises amounted to 9 million people; 6.2 million (69.9%) of them worked in SMEs. In the same year microenterprises employed about 3.4 million people, i.e. 38.7% of persons, who were employed by SMEs. Small-enterprises employed around 1.2 million people that represented 13.5% of total employment in the SME sector, while medium-enterprises employed over 1.6 million people and 17.9% of all employees of SME sector (PARP. Raport o stanie sektora..., 2013, pp. 27 - 31). Compared to 2011 there has been a slight decline in the employment level in the analyzed sector and in enterprises in general, although there has been a growth in small companies and simultaneous decrease in employment in medium-sized enterprises. The discussed trend was presented in table 3.

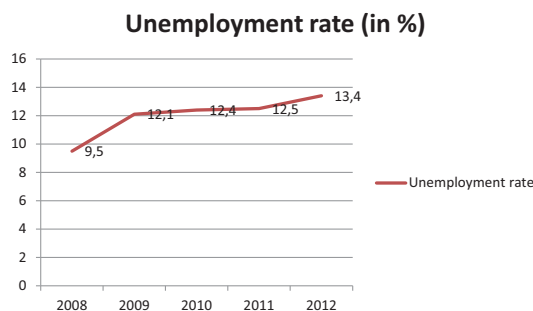
**Table 3.** The number of people working in Polish enterprises in general by size classes in the years 2008 - 2010 (figures in thousands of persons)

Enterprises											
Year	TOTAL	SME total	% of total	micro	% of total	small	% of total	medium	% of total	large	% of total
2008	9 494	6 620	69.73%	3 727	39.26%	1 195	12.59%	1 698	17.88%	2 874	30.27%
2009	8 830	6 230	70.55%	3 464	39.23%	1 123	12.72%	1 643	18.61%	2 599	29.43%
2010	8 859	6 192	69.90%	3 399	38.37%	1 143	12.90%	1 649	18.61%	2 667	30.10%
2011	9 029	6 337	70.18%	3 509	38.86%	1 182	13.09%	1 646	18.23%	2 692	29.82%
2012	8 937	6 266	70.11%	3 459	38.70%	1 204	13.47%	1 602	17.93%	2 671	29.89%

Source: Self-study on the basis of PARP (2013), p. 16.

Generally, taking the 5-year period into account, it should be noted that the number of people employed decreased by 5% from 6.62 million in 2008 to 6.27 million in 2012. The decline in the demand for the workforce in the analyzed period was probably caused by the adverse declines in GDP growth and in the limited consumer demand. However, even in spite of worsening on the labor market, Polish micro-enterprises play a huge part in the country as the major employer.

Decline in the number of workers, especially in 2012, corresponded to an increase in the unemployment rate. In the period analyzed the situation on the labor market deteriorated, therefore, according to Figure 2, unemployment rate gradually increased.



**Figure 2.** Unemployment registered in Poland in the years 2008 – 2012 (in %)

Source: Self-study on the basis of PARP (2013), p. 10.

The increase in unemployment during the study period was undoubtedly caused by the economic downturn, which resulted in downtimes in businesses, in many bankruptcies in collective redundancies and in new employment limiting.

Despite the fact that during the analyzed period the number of people working both in SMEs and in enterprises in general fell by approximately 6%, according to the European Commission (EC) forecasts, by the end of 2014 the number of employees in European companies will grow by more than 6 million people (4.6%) of which more than a million will work in the SME sector. Positive employment growth dynamic will also be visible in Poland. According to estimates by the European Commission, Polish companies will create over 600 000 jobs by 2014 and two-thirds of them (approximately 430 thousand people) will be working in micro, small and medium-sized enterprises (PARP. Raport o stanie sektora..., 2013, p. 28).

### **3.3. The investment activity of SME sector**

Relatively positive economic situation of Poland in the period 2008-2012, has had an impact on the investment activities of enterprises. In 2012, capital expenditures of enterprises totaled PLN 154.9 billion, which means a decrease of 4% compared with 2011. SMEs investment expenditures accounted for 48.1% of all investments of companies. Compared to the year 2011, the investments of SMEs in 2012 decreased by around 8%, and in relation to the year 2010 it increased by 4.5%. However, throughout the period of study, there has been a continuation of SMEs investment expenditures at a similar level. Taking the economic downturn into account, this fact should be assessed positively. It is worth emphasizing that the main burden of investments of SMEs, more than 40%, is borne by the medium-sized entities, which represent only 0.9% of all the companies functioning in the Polish economy. It is also interesting to note that the greatest growth in investment dynamics was noted in micro-enterprises, in which during the investigation period, investments recorded a significant increase, while small and medium-sized enterprises recorded a decline. It should also be noted that the year 2009 brought a reversal of the dynamics in 2008 and listed in previous years. It is also interesting that the SME sector is dedicating a comparable amount of funds for investment activities in relation to large enterprises. The value of investment expenditures of SMEs in 2012 amounted to PLN 74.5 billion, whereas in the case of large entities it amounted to PLN 80.4 billion. In the case of SMEs expenditures were lower by 8% comparing with the year before, while in the case of large entities the amount was basically unchanged (Table 5).

**Table 5.** Expenditures on business investments (in million PLN)

Enterprises											
Year	Ogółem	SME Total	% of total	micro	% of total	small	% of total	medium	% of total	large	% of total
2008	160 540	74 309	46.29%	20 356	12.68%	19 011	11.84%	34 942	21.77%	86 231	53.71%
2009	143 751	69 075	48.05%	21 853	15.20%	16 416	11.42%	30 806	21.43%	74 676	51.95%
2010	141 939	71 323	50.25%	24 848	17.51%	16 877	11.89%	29 598	20.85%	70 616	49.75%
2011	161 240	80 824	50.13%	28 282	17.54%	18 757	11.63%	33 785	20.95%	80 416	49.87%
2012	154 853	74 489	48.10%	24 370	15.74%	17 332	11.19%	32 787	21.17%	80 365	51.90%

Source: Self-study on the basis of GUS (2012).

The analysis of the data in the table shows that most of the new funds for investments, despite noticeable slowdown, was allocated by microenterprises, in which during the investigation period, expenditures have recorded almost 20% increase from the PLN 20 million in 2008 to more than PLN 24 million in 2012. Other types of companies noticed a decline in investment spending. Small enterprises have reduced purchases by 9% during the whole period, so at the end of 2012 they amounted to more than PLN 17 million, and the medium – sized entities spent in the year 2012 more than 6% less than in 2008. It should also be noted that the year 2012 brought a reversal of the positive dynamics, which was recorded from the year 2009. The analysis of the structure of capital expenditures in the SME sector allows to conclude that majority of the funds for investments were dedicated by medium-sized companies, because the amount of their expenditures is nearly a half of investment expenditures incurred by the SME sector in general.

### 3.4. The size of the foreign trade of SMEs

The contribution of SMEs to the integration of the national economy with the international economy is related to the degree of internationalization of these entities. The most commonly used measure of internationalization is the participation of the entire SME sector in the export and import of the country (Bednarz and Gostomski, 2009, p. 53).

The process of internationalization of SMEs still continues, and with the growth of the Polish economy, Polish participation in international trade grows as well. Clear connection of Polish economy and enterprises with the EU markets results in fluctuations in the value of exports, import and consequently depending on the economic situation in the EU and Poland. It was noticeable in 2009, when the economic crisis caused a collapse in foreign trade, as well

as in the years 2011 to 2012, when the economic downturn in Poland and the EU contributed to the reduction of import and export growth.

Due to the fact that the dynamics of Polish exports is strongly correlated with the GDP dynamics, both in the country and in the EU, as a result of the downturn in the EU in the year 2012 (fall in GDP of 0.4% in comparison with the 2011). The growth of Polish exports slowed down and there was a decrease in its growth pace from 7.3% in 2011 to 3.1% in 2012. It should be emphasized that export growth was not homogeneous in each group of enterprises, because in 2012 the nominal growth of exports was clearly higher in SMEs (13.5%) than in large enterprises (3.6 %). After stagnation in 2008 and 2009, SME sector rapidly increased turnover from export. In 2010 the nominal growth amounted to 13.3% and in 2011 to 15.5 %. Micro-enterprises increased export nominally by more than one-quarter (26.5%), the small entities by more than one-sixth (16.2%), and medium-sized ones by 9%.

Due to the import's explicit dependence on the export as well as the Polish import concentration - mainly on EU countries, in the analyzed period a strong correlation between the export and import dynamic growth and GDP in Poland and other EU countries was observed. A significant decline in the growth of the Polish economy (from 4.3% in 2011 to 1.9% in 2012) and in demand, especially investment, resulted in a decline in import growth (from 104.8% in 2011 to 97.0% in 2012).

As a result, the dynamics of Polish import reached in 2012 the lowest level since 2003, apart from the collapse in 2009, when imports fell by one-sixth (16.4%) in comparison with the previous year. In addition, vice versa, as in the case of export, the nominal import growth rate was significantly lower in SMEs (98.3%) than in large enterprises (103.9%). This deterioration came after a rapid increase in imports in 2010 and 2011, both in terms of SMEs (an increase of 13.1% and 20.1%) and large enterprises (20.2% and 17.4% respectively) (PARP. Raport o stanie sektora..., 2013, pp. 74-87).

So far, the characteristic feature of the Polish economy was a clearly stronger commitment to import than export. Under conditions of moderate level of competitive supply deals from Polish enterprises and at practically full openness of the economy to foreign competition, import activities of SME sector were more profitable than export. However, in recent years, a slow trend has been noticed, in which the value of import is close to the value of export. So far in 2008 the relationship of exports to imports was around 82%, but in 2012 it was at the level of 93%. It indicates a favorable trend in internationalization of Polish enterprises. It should be emphasized that small and medium enterprises have had a major impact on the size of the deficit of the entire Polish foreign trade in previous years, but in 2012 this impact has significantly strengthened.

### **3.5. The importance of SMEs in the microeconomic analysis**

In the microeconomic analysis of the SMEs' importance, especially in terms of the contemporary economy, it is worth paying attention to their organizational and managerial characteristics. A beneficial effect on the activities of the companies in this field is exerted by (Nogalski, Karpacz and Wójcik - Karpacz, 2004, pp. 83 – 127):

- transparency of organizational structures,
- small number of levels of management,
- high-speed flow of information,
- the lack of anonymity of employees and of their functions.

Transparency of organizational structures is the result of their simplicity. New organizations, most of which are small companies, are based mostly on a linear structure regardless of the available resources and environment circumstances. From researches conducted by H. Mintzberg (1983, pp. 157-160), it appears that most of the small organizations maintain such a structure not only at the beginning of the development, but also in subsequent periods. This is, in turn, due to the simplified communication that is used in SMEs and is for this type of entities comfortable and effective at the same time.

Simple structure improves the level of management and increases managers' responsibility for their own decisions. The owner of a small or medium-sized enterprise takes final decisions about current operations, but also of its future existence. A positive feature of this type of entities is also the fact that there are no complications resulting from the separation of ownership from management. In conflict situations, there is no question of the responsibility division for many levels of management. Smaller companies mean less coordination problems, moreover a direct contact of the boss with subordinates is eliminating problems of anonymities of employees, of their functions or their responsibilities. Therefore, the management in the SME sector is easier than in large enterprises.

Specific managerial - organizational features of SMEs account for the fact that they are much more flexible than large organizations. Large companies are focused on the needs of the mass, while small companies in a relatively short period of time are able to respond to the environment changes and adapt to individual customer requirements. Thanks to all these features SMEs quickly fill in the market gaps, increase competition and improve the quality of the market mechanism.

#### 4. Conclusion

The areas listed in the article are just a small set of examples of the influence of the SME sector on the national economy and on the nearest environment. The economic downturn and the high dynamics of changes in economic conditions in the years 2008 - 2012 were clearly felt both in Poland and abroad, in Poland, particularly in 2009 and 2012. Nevertheless, it should be noted that small and medium-sized enterprises continue to cope well on the market and continue to influence its development, resulting in, among others, the creation of new jobs or the creation of new investments. SME sector is currently the most numerous and the most rapidly growing segment of the national and global economy. It is also a very important source of economic growth in Poland.

The analysis we conducted allows us to positively verify the hypothesis raised. In the period of economic downturn which is clearly felt, the SME sector is of crucial importance, both at the micro-and macroeconomic level. This sector generates generally a half of Polish GDP, it is the largest employer, affects the development in the significant way and increases the innovations of the Polish economy through incurred investments, and finally it is the main source of competition and an animator of the market mechanism. What is more, it is able to quickly accommodate to changing economic conditions. In the period of the last five years, Polish SMEs have proven that they are able to positively affect the development of the economy and to mitigate the effects of the global economic slowdown.

It is worth remembering that the success of the entire Polish economy, the increase of its competitiveness on foreign markets, the reduction of unemployment in the country and improved public mood, are inseparably linked with the development of the sector of small and medium enterprises. Therefore, a positive back-up policy is needed which will be supporting the development of the small and medium enterprises, focusing on reducing barriers in their functioning, facilitating the access to sources of financing and supporting the development of new technologies and of entrepreneurial attitudes.

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